Foreign Agricultural Service
GAIN Report
Global Agriculture Information Network

Voluntary Report - public distribution

Date: 9/3/2002

GAIN Report #AR2048

Argentina

Grain and Feed

September Update

2002

Approved by:
Philip A. Shull
U.S. Embassy
Prepared by:
Erich R. Kuss

Report Highlights:
Post estimates 2002/03 corn production at 12.4 million tons and area at 2.25 million hectares, an increase of 1.4 million tons and 250,000 hectares from the USDA August estimate. Increasing expected returns, higher grain prices, and improving access to credit have helped create greater incentive to plant corn.

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
Buenos Aires [AR1], AR

Executive Summary

With wheat plantings nearly complete, attention has turned to the amount of corn acreage that will be planted in the upcoming crop year. A convergence of factors has lead to the possibility of increased corn plantings from previous estimates, however corn acreage is still expected to decrease 8 percent from the 2001/02 crop. Increased corn to soybean profit ratio, overall higher grain and oilseed prices, increasing access to credit and generally favorable weather conditions for upcoming corn planting have combined to create increased incentive to plant corn. Wheat production estimates remained unchanged, with the 2002/03 crop forecast at 14.0 million tons.

Corn

Production

Post estimates corn area at 2,250,000 hectares an increase of 250,000 hectares from the USDA August estimate, however, the figure remains 8 percent below last year's corn area of 2,400,000 hectares. In accordance with the increase in area, post estimates production for the 2002/03 crop year at 12.4 million tons, and increase of 1.4 million tons over the USDA August estimate, but still nearly14 percent below last year's levels.

Many of the factors such as lack of credit, higher input costs, and general economic uncertainty that led to earlier forecasts of significantly lower area for the 2002/03 Argentine corn crop, although still in existence, have been somewhat mitigated. Perhaps most importantly, anticipated returns in Argentina from corn have increased sharply in the past few months, surpassing even the healthy increase in soybean returns. From the beginning of June through the beginning of August, projected gross margins have increased around 40 percent for corn compared to near 15 percent for soybeans. (Comparing margins from Aug 01 to Aug 02, shows expected gross margins on corn have increased nearly 50 percent year-to-year). The overall increase in grain prices over the past few months has also boosted farmers' ability to plant corn. Since June 1st corn prices have risen around 12 percent while soybeans have risen about 5.5 percent. Combined with reports that as of early August farmers were still holding approximately 40 percent of the 2001/02 crop production as on farm stocks, producers, in effect, have increased ability to purchase inputs. In addition to price incentives, the slowly improving credit situation has allowed producers to further consider planting corn despite its relatively high input costs, although financing is still limited. For example, credit may only be extended for 50 percent of inputs purchased. Lastly, recent weather conditions, which have been seen as favorable to corn, have added to the more optimistic outlook.

Trade

Due to the increase in production for 2002/03, post has raised estimates for local year (Mar 03-Feb 04) Argentine corn exports by 1.3 million tons to 7.6 million tons. However, this figure is still 1.9 million tons below the 2002/03 local year's forecast of 9.5 million tons. Marketing year exports for 2002/03 (oct-sep) are now forecast 1.2 million tons higher at 8.5 million tons.

Table 1. - Corn Supply and Demand

PSD Table						
Country	Argentina					
Commodity	Corn				(1000 HA)(1000 MT)	
	Revised	2000	Preliminary	2001	Forecast	2002
	Old	New	Old	New	Old	New
Market Year Begin		03/2001		03/2002		03/2003
Area Harvested	2818	2818	2450	2450	2000	2250
Beginning Stocks	490	490	637	637	702	702
Production	15400	15400	14400	14400	11000	12400
TOTAL Mkt. Yr. Imports	23	23	15	15	15	15
Oct-Sep Imports	43	43	15	15	15	15
Oct-Sep Import U.S.	1	1	0	0	0	0
TOTAL SUPPLY	15913	15913	15052	15052	11717	13117
TOTAL Mkt. Yr. Exports	9676	9676	9500	9500	6300	7600
Oct-Sep Exports	12229	12229	9500	9500	7300	8500
Feed Dom. Consumption	3900	3900	3350	3350	3300	3400
TOTAL Dom. Consumption	5600	5600	4850	4850	4800	4900
Ending Stocks	637	637	702	702	617	617
TOTAL DISTRIBUTION	15913	15913	15052	15052	11717	13117

Wheat

Wheat planting is nearly complete, with government statistics indicating 99 percent of expected area planted as of the end of August, with only small portions of Southern Buenos Aires province remaining unsown, slowed by recent rains. Throughout the wheat producing region, no major problems in planting or with disease have been reported. However, as expected, the use of fertilizer has decreased from previous year levels due to the lack of financing to buy inputs and the recent improvements to the overall agricultural outlook will have a smaller impact on current wheat production than on other grains and oilseeds.

Policy

Despite rumors that the government would seek to increase export taxes (currently 20 percent for corn and wheat) after the general rise in commodity prices, and in particular after the price increases following the release of the USDA's August World Agricultural Supply and Demand Estimates (WASDE), taxes have remained at their current level.